SUPPLEMENTAL FINANCIAL REPORT

For the Year Ended December 31, 2021

NorthStar
HEALTHCARE INCOME

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

NorthStar HEALTHCARE INCOME

This presentation may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” or “potential” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and contingencies, many of which are beyond our control, and may cause actual results to differ significantly from those expressed in any forward-looking statement. Among others, the following uncertainties and other factors could cause actual results to differ from those set forth in the forward-looking statements: operating costs and business disruption may be greater than expected; the Company's operating results may differ materially from the information presented in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021; the fair value of the Company's investments may be subject to uncertainties; the Company's use of leverage could hinder its ability to make distributions and may significantly impact its liquidity position; given the Company's dependence on its external Advisor and Sponsor (each, as defined below), any adverse changes in the financial health or otherwise of its Sponsor could hinder the Company's operating performance and return on stockholders’ investment; the ability to realize substantial efficiencies as well as anticipated strategic and financial benefits, including, but not limited to expected returns on equity and/or yields on investments; the impact on the Company's liquidity position of any further impairments; the Company's liquidity, including its ability to fund capital contributions in its unconsolidated joint ventures; the Company’s ability to re-commence the payment of dividends at all in the future; the timing of and ability to complete repurchases of the Company’s stock; the ability of the Company to refinance certain mortgage debt on similar terms to those currently existing or at all; and the impact of actual or threatened public health epidemics or outbreaks, such as the COVID-19 pandemic, or of legislative, regulatory and competitive changes. The foregoing list of factors is not exhaustive. Additional information about these and other factors can be found in in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 as well as in the Company’s other filings with the Securities and Exchange Commission (the “SEC”).

The Company cautions investors not to unduly rely on any forward-looking statements. The forward-looking statements speak only as of the date of this presentation. The Company is under no duty to update any of these forward-looking statements after the date of this presentation, nor to conform prior statements to actual results or revised expectations, and the Company does not intend to do so.

References to “we”, “us”, “our” the “Company” or “NorthStar Healthcare” refer to NorthStar Healthcare Income, Inc. and its subsidiaries unless the context specifically requires otherwise.

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NorthStar HEALTHCARE INCOME

II. OUR INVESTMENTS

NorthStar HEALTHCARE INCOME

We conduct our business through the following five segments, which are based on how management reviews and manages our business:

Direct Investments - Operating - Healthcare properties operated pursuant to management agreements with healthcare managers.

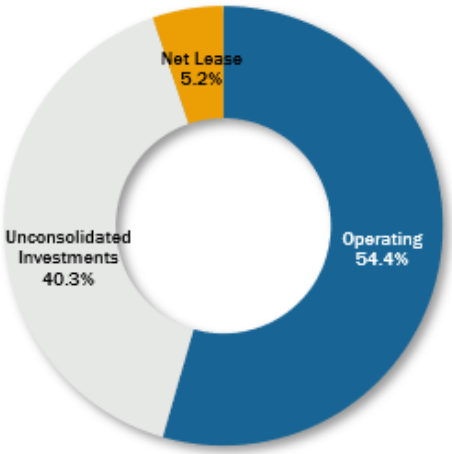
Direct Investments - Net Lease - Healthcare properties operated under net leases with an operator.

Unconsolidated Investments - Healthcare joint ventures, including properties operated under net leases with an operator or tenant and pursuant to management agreements with healthcare managers, in which we own a minority interest.

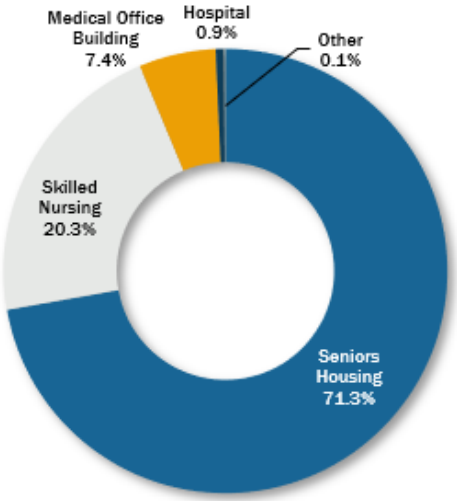
Debt Investments - Mortgage loans or mezzanine loans to owners of healthcare real estate. During the year ended December 31, 2021, we had one mezzanine loan, which was repaid in August 2021.

Corporate - Includes corporate level asset management fees and general and administrative expenses.

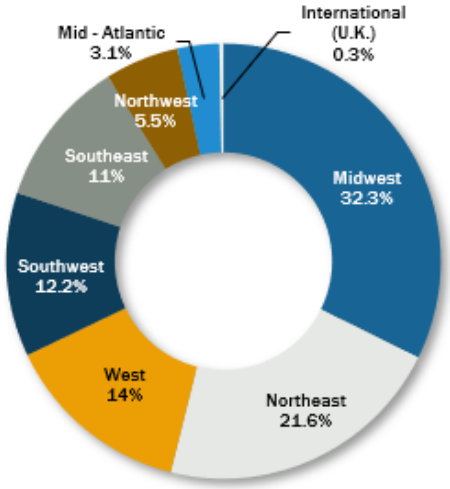
Investments by Segments



Investments by Property Type



Investments by Geographic Location



Based on cost as of December 31, 2021. Property type classification based on predominant services provided, but may include other services.

II. OUR INVESTMENTS (CONT.)

NorthStar HEALTHCARE INCOME

($ In thousands)

Investment Type / Portfolio	Amount[2][3]	Properties Count by Type [1][2] SH	MOB	SNF	Hospitals	Total	Primary Locations	Ownership Interest
Direct Investments - Operating								
Winterfell	$ 904,985	32	—	—	—	32	Various	100.0 %
Rochester	219,518	10	—	—	—	10	Northeast	97.0 %
Watermark Aqua	77,521	4	—	—	—	4	Southwest/Midwest	97.0 %
Avamere	99,438	5	—	—	—	5	Northwest	100.0 %
Oak Cottage	19,427	1	—	—	—	1	West	100.0 %
Other[4]	2,030	—	—	—	—	—	West	97.0 %
Subtotal	$1,322,919	52	—	—	—	52		
Direct Investments - Net Lease								
Arbors	$ 126,825	4	—	—	—	4	Northeast	100.0 %
Subtotal	$ 126,825	4	—	—	—	4		
Unconsolidated Investments								
Diversified US/UK	$ 445,855	92	106	39	9	246	Various	14.3 %
Trilogy[5]	405,667	23	—	69	—	92	Various	23.2 %
Espresso[6]	91,348	1	—	48	—	49	Various	36.7 %
Eclipse	37,291	42	—	9	—	51	Various	5.6 %
Solstice[7]	—	—	—	—	—	—	Various	20.0 %
Subtotal	$ 980,161	158	106	165	9	438		
Total Investments	$2,429,905	214	106	165	9	494		

As of December 31, 2021. See 'Footnotes' in the Appendix.

III. BUSINESS & FINANCIAL HIGHLIGHTS YEAR ENDED 2021

NorthStar HEALTHCARE INCOME

Dispositions	◦ In December, we completed the sale of the Watermark Fountains net lease and operating portfolios for $580.0 million. The sale generated net proceeds of approximately $114.0 million after the repayment of mortgage notes, which totaled $450.7 million and payment of transaction and other costs, distributions to non-controlling interests, and releases of reserves and other prorations. ◦ In June, we completed the sale of the Kansas City portfolio, which generated net proceeds of approximately $4.7 million. ◦ In May, we completed the sale of the Smyrna net lease property, which generated net proceeds of approximately $1.7 million. ◦ In March, we completed the sale of a property within the Aqua portfolio for $22.0 million. The sale generated net proceeds of $0.9 million, after the repayment of the outstanding mortgage principal balance of $20.1 million and transaction costs.
Investment Activities	◦ In August, we received full repayment of the outstanding principal balance of our mezzanine loan debt investment. Principal repayments received during the year ended ended December 31, 2021 totaled $74.4 million. ◦ We recorded impairment losses totaling $5.4 million for one operating property within the Winterfell portfolio and one net lease property, which was sold in May 2021.
Financing Activities	◦ In January, we refinanced an existing $18.7 million note payable, collateralized by a property within the Aqua portfolio, with a $26.0 million mortgage note payable. The new mortgage note carries a fixed interest rate of 3.0% through February 2024 and has an initial maturity date of February 2026. ◦ In April, we extended the maturity date of a mortgage note payable for a property within the Rochester portfolio to August 2022 and made a $1.0 million principal repayment. ◦ In July, we repaid in full the $35.0 million outstanding borrowings under our revolving line of credit.

III. BUSINESS & FINANCIAL HIGHLIGHTS YEAR ENDED 2021 (CONT.)

NorthStar HEALTHCARE INCOME

COVID-19 Update	◦ Throughout the year ended December 31, 2021, the world continued to experience the broad effects of the COVID-19 pandemic. Our healthcare real estate business and investments were challenged by declines in resident occupancy, lower labor force participation rates, which drove increased labor costs, and inflationary pressures on other operating expenses. We continue to see demand and lead generation for our communities and remain optimistic on the long-term outlook for the seniors housing industry, but anticipate the continuing impact of the COVID-19 pandemic on the operational and financial performance of our business, which may differ considerably across regions and fluctuate over time.
Consolidated Results	◦ Net income totaled $26.8M for the year ended December 31, 2021 as compared to a $264.2M loss for 2020: lower impairment and gains on portfolio sales were the primary drivers of the change. ◦ Modified Funds from Operations decreased to $39.7M for the year ended December 31, 2021 as compared to $46.7M for 2020 primarily due to lower NNN revenue recognized and lower SHOP average occupancy.
Direct Investments - Operating Results	◦ Occupancy averaged 75.1% for the year ended December 31, 2021, a 260bps decrease from 77.7% averaged in 2020. Our direct operating investments experienced improved demand and an increase in the number of resident move-ins during 2021 as compared to 2020. ◦ On a same store basis, rental and resident fee income decreased to $163.3 million for the year ended December 31, 2021 as compared to $163.9 million for 2020, primarily as a result of lower average occupancy; partially offset by rate increases. ◦ On a same store basis, property operating expenses increased to $120.4 million for the year ended December 31, 2021 as compared to $111.0 million for 2020. We continue to experience staffing challenges and, in turn, salaries and wages expense has increased due to additional overtime hours and use of agency and contract labor to fill open positions. In addition, sales and marketing expenses have increased with the improved volume of resident move-ins, while the resumption of normalized business operations has allowed our managers to complete deferred repairs and maintenance projects. ◦ Overall, on a same store basis, rental and resident fee income, net of property operating expenses, of our direct operating investments decreased to $42.9 million for the year ended December 31, 2021 as compared to $52.9 million for 2020. ◦ COVID-19 related expenses totaled $4.4 million and $9.9 million for the years ended December 31, 2021 and 2020, respectively. In addition, during the years ended December 31, 2021 and 2020, our direct operating investments received and recognized grant income totaling $7.7 million and $1.8 million, respectively, from the Provider Relief Fund administered by the U.S. Department of Health and Human Service.

III. BUSINESS & FINANCIAL HIGHLIGHTS YEAR ENDED 2021 (CONT.)

NorthStar HEALTHCARE INCOME

Direct Investments - Net Lease Results

- On a same store basis, rental income totaled $3.4 million for the year ended December 31, 2021, as compared to $10.1 million for 2020.
- The operator of our Arbors portfolio failed to remit rent and satisfy other lease conditions. Contractual rent obligations have been remitted in full through April 2021 and we have recorded rental income to the extent payments were received.
- Fountains net lease portfolio was sold in December 2021. The operator remitted full contractual rent per the amended terms of its lease through the sale. In April 2021, we executed a lease modification that allowed the operator to defer up to $3.0 million of contractual rent payments over the remaining term of the lease, which were forgiven upon the sale of the portfolio.

Unconsolidated Investments Results

- Equity in earnings totaled $15.8 million for the year ended December 31, 2021 as compared to equity in losses of $34.5 million for 2020:
  - Our proportionate share of net gains on sales in 2021 totaled $22.0 million.
  - Equity in losses in 2020 includes our proportionate share of impairment losses recorded by the underlying joint ventures of our unconsolidated investments, which totaled $38.2 million.
- We received distributions from unconsolidated investments totaling $18.1 million as compared to $5.9 million for the year ended December 31, 2020. The increase in distributions is primarily a result of increased sales activity in 2021.

Liquidity

- As of March 17, 2022, we had approximately $191.1 million of unrestricted cash.
- As of December 31, 2021, we had $943.8 million of consolidated asset-level borrowings outstanding and paid $92.8 million in recurring principal and interest payments on borrowings during the year ended December 31, 2021.

Subsequent Events

- On February 28, 2022, our former Sponsor, DigitalBridge Group, Inc., completed the previously announced disposition of its wellness infrastructure platform, which included CNI NSHC Advisors, LLC, or our Advisor, and the individuals currently engaged in the management and oversight of the healthcare platform. The sale resulted in a change of the owner and control of our Advisor to NRF Holdco, LLC, but did not directly impact the ownership or control of us or any of our assets.
- In connection with the Sponsor Transaction, our advisory agreement was renewed for a one-year term commencing on February 28, 2022.
- On February 28, 2022, our Sponsor Line was amended to extend the maturity date to February 28, 2024.

IV. KEY PORTFOLIO METRICS

NorthStar HEALTHCARE INCOME

($ In thousands)

Key Metrics
(as of and for the year ended December 31, 2021)

Direct Investments:			Consolidated Debt:		
Net lease properties		4	Total borrowings	$	943,765
NNN remaining lease term		8 years	Leverage[1]		53.6%
Operating properties		52	Repayments of mortgage notes[3]	$	517,618
Weighted average occupancy		75.1%	Line of credit repayments[4]	$	35,000
Gross asset amount[2]	$	1,197,900	Interest expense	$	61,620
Capital expenditures[3]	$	31,397			

Operator / Manager Information:	Properties Managed	Units Under Management[5]	Property and Other Revenues[6]	% of Total Property and Other Revenues
Solstice Senior Living[7]	32	4,000	$ 98,977	40.7 %
Watermark Retirement Communities	14	1,753	42,447	17.4 %
Avamere Health Services	5	453	17,301	7.1 %
Integral Senior Living	1	44	4,556	1.9 %
Arcadia Management[8]	4	572	(3,900)	(1.6)%
Subtotal	56	6,822	$ 159,381	65.5 %
Properties sold	17	3,630	83,896	34.5 %
Total			$ 243,277	100.0 %

Direct Investments - Operating

	Average Monthly Occupancy			Average Annual Occupancy		
Manager	December 2021	December 2020	Variance	2021	2020	Variance
Solstice Senior Living	77.2 %	74.2 %	3.0 %	73.9 %	76.8 %	(2.9)%
Watermark Retirement Communities[9]	77.2 %	76.4 %	0.8 %	75.4 %	77.5 %	(2.1)%
Avamere Health Services	85.0 %	80.1 %	4.9 %	81.9 %	85.5 %	(3.6)%
Integral Senior Living[9]	97.5 %	100.0 %	(2.5)%	98.1 %	88.8 %	9.3 %
Direct Investments - Operating	77.9 %	75.4 %	2.5 %	75.1 %	77.7 %	(2.6)%

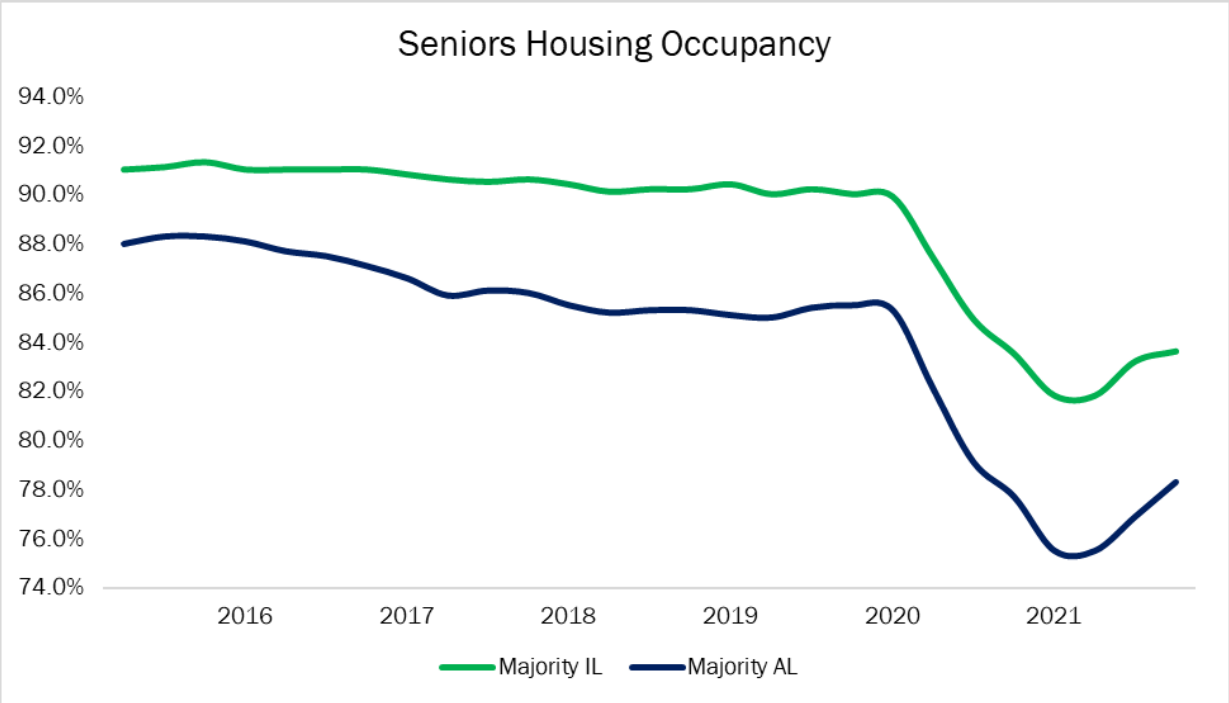
See “Footnotes” in the Appendix

V. HEALTHCARE MARKET UPDATE

NorthStar HEALTHCARE INCOME

Seniors Housing

- Seniors housing occupancy rose to 81.0% in Q4 2021 from 80.1% in Q3 2021
  - Seniors housing occupancy is 9.2% below its Q4 2014 peak of 90.2%
  - Independent Living ("IL"): occupancy increased to 83.6% (Q4 2021) from 83.2% (Q3 2021)
  - Assisted Living ("AL"): occupancy increased to 78.3% (Q4 2021) from 76.9% (Q3 2021)



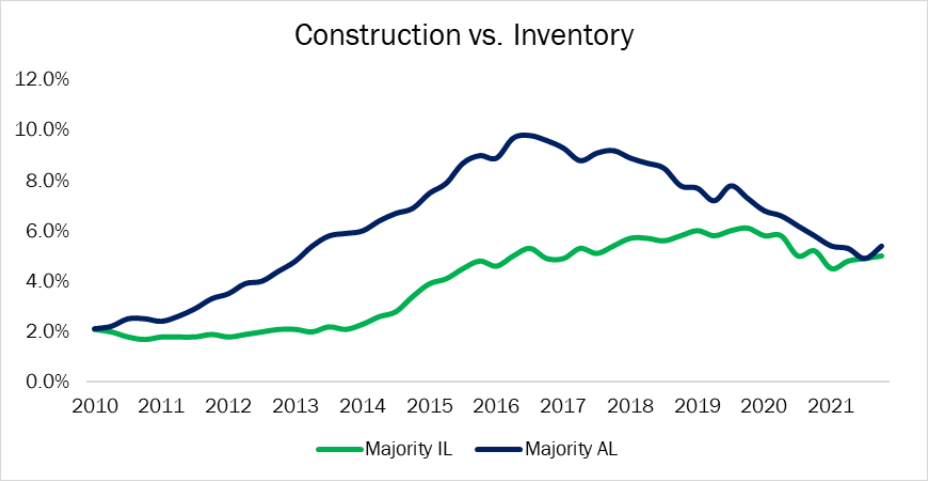
Source: National Investment Center for Seniors Housing & Care (NIC)

V. HEALTHCARE MARKET UPDATE (CONT.)

NorthStar HEALTHCARE INCOME

Seniors Housing (cont.)

- A January 2022 NIC survey reported:
  - Approximately 81.6% of all healthcare workers had been fully vaccinated, while only 22.6% have received a COVID-19 vaccine booster.
  - Increased resident demand was the primary reason for acceleration in move-ins as the COVID-19 pace of infection began to slow in many areas of the country.
  - Roughly 50% of organizations with AL and/or memory care units reported an acceleration in the pace of move-ins over the past 30 days, compared to 37% with IL units.
  - Staffing shortages continue to be pervasive across the industry. Currently, 89% of organizations are utilizing agency or temp staff.
- Seniors housing construction as a percentage of inventory went up 300bps to 5.2% in Q4 2021.
  - IL: Units under construction increased to 5.0% of inventory in Q4 2021, up from 4.9% in Q3 2021.
  - AL: Units under construction decreased to 5.4% of inventory in Q4 2021, the lowest rate since 2014 and down from the peak of 9.9% in 2017.
  - During Q4 2021, seniors housing inventory growth went down to 2.4% from 2.5% in Q3 2021.



Source: (NIC)

VI. APPENDIX

NorthStar
HEALTHCARE INCOME

CONSOLIDATED BALANCE SHEETS

NorthStar HEALTHCARE INCOME

(In thousands)

	December 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 200,473	$ 65,995
Restricted cash	10,465	27,575
Operating real estate, net	972,599	1,483,930
Investments in unconsolidated ventures	212,309	229,173
Real estate debt investment, net	—	55,864
Assets held for sale	—	5,000
Receivables, net	3,666	14,735
Goodwill and intangible assets, net	2,590	26,483
Other assets	10,771	9,681
Total assets	$ 1,412,873	$ 1,918,436
Liabilities		
Mortgage and other notes payable, net	$ 929,811	$ 1,416,871
Line of credit - related party	—	35,000
Due to related party	7,338	8,318
Escrow deposits payable	1,171	3,851
Accounts payable and accrued expenses	24,671	38,393
Other liabilities	3,064	3,941
Total liabilities	966,055	1,506,374
Commitments and contingencies		
Equity		
Preferred stock	—	—
Common stock	1,930	1,904
Additional paid-in capital	1,720,719	1,710,023
Retained earnings (accumulated deficit)	(1,277,688)	(1,302,755)
Accumulated other comprehensive income (loss)	(486)	467
Equity before NCI	444,475	409,639
Non-controlling interests	2,343	2,423
Total equity	446,818	412,062
Total liabilities and equity	$ 1,412,873	$ 1,918,436

CONSOLIDATED STATEMENTS OF OPERATIONS

NorthStar HEALTHCARE INCOME

(In thousands, except per share data)

	Year Ended December 31,		
	2021	2020	2019
Property and other revenues			
Resident fee income	$ 105,955	$ 118,126	$ 130,135
Rental income	137,322	157,024	161,084
Other revenue and income	—	198	1,959
Total property and other revenues	243,277	275,348	293,178
interest income			
Interest income on debt investments	4,667	7,674	7,703
Expenses			
Property operating expenses	177,936	184,178	181,214
Interest expense	61,620	65,991	68,896
Transaction costs	54	65	122
Asset management fees - related party	11,105	17,170	19,789
General and administrative expenses	12,691	16,505	12,761
Depreciation and amortization	54,836	65,006	70,989
Impairment loss	5,386	165,968	27,554
Total expenses	323,628	514,883	381,325
Other income (loss)			
Other income, net	7,278	1,840	—
Realized gain (loss) on investments and other	79,477	302	6,314
Income (loss) before earnings of unconsolidated ventures and income taxes	11,071	(229,719)	(74,130)
Equity in earnings (losses) of unconsolidated ventures	15,843	(34,466)	(3,545)
Income tax expense	(99)	(53)	(75)
Net income (loss)	26,815	(264,238)	(77,750)
Net (income) loss attributable to non-controlling interests	(1,748)	2,780	790
Net income (loss) attributable to common stockholders	$ 25,067	$ (261,458)	$ (76,960)
Net income (loss) per share of common stock, basic/diluted	$ 0.13	$ (1.38)	$ (0.41)
Weighted average number of shares of common stock outstanding[1]	191,629,613	189,573,204	189,054,270
Distributions declared per share of common stock	$ —	$ —	$ 0.03

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION

NorthStar HEALTHCARE INCOME

(In thousands)

	Year Ended December 31,		
	2021	2020	2019
Funds from operations:			
Net income (loss) attributable to NHI	$ 25,067	$ (261,458)	$ (76,960)
Adjustments:			
Depreciation and amortization	54,836	65,006	70,989
Depreciation and amortization related to non-controlling interests	(480)	(647)	(635)
Depreciation and amortization related to unconsolidated ventures	30,054	31,999	31,892
Realized (gain) loss from sales of property	(83,873)	—	(6,104)
Realized gain (loss) from sales of property related to non-controlling interests	2,092	—	—
Realized (gain) loss from sales of property related to unconsolidated ventures	(31,314)	(320)	(4,065)
Impairment losses of depreciable real estate	5,386	165,968	27,554
Impairment loss on real estate related to non-controlling interests	—	(2,253)	(585)
Impairment losses of depreciable real estate held by unconsolidated ventures	1,494	37,893	2,663
Funds from operations attributable to NHI	$ 3,262	$ 36,188	$ 44,749
Modified funds from operations:			
Funds from operations attributable to NHI	$ 3,262	$ 36,188	$ 44,749
Adjustments:			
Acquisition fees and transaction costs	54	65	122
Straight-line rental (income) loss	7,803	441	(467)
Amortization of premiums, discounts and fees on investments and borrowings	4,177	4,975	4,914
Realized (gain) loss on investments and other	4,396	(302)	(679)
Adjustments related to unconsolidated ventures	20,245	5,406	10,075
Adjustments related to non-controlling interests	(212)	(48)	(25)
Modified funds from operations attributable to NHI	$ 39,725	$ 46,725	$ 58,689

SEGMENT INFORMATION

NorthStar HEALTHCARE INCOME

(In thousands)

Year Ended December 31, 2021	Direct Investments		Unconsolidated Investments	Debt	Corporate	Total
	Net Lease	Operating				
Property and other revenues	$ 14,708	$ 228,569	$ —	$ —	$ —	$ 243,277
Interest income on debt investments	—	—	—	4,667	—	4,667
Property operating expenses	(29)	(177,907)	—	—	—	(177,936)
Interest expense	(10,900)	(49,979)	—	—	(741)	(61,620)
Transaction costs	—	(54)	—	—	—	(54)
Asset management fees - related party	—	—	—	—	(11,105)	(11,105)
General and administrative expenses	(192)	(227)	—	—	(12,272)	(12,691)
Depreciation and amortization	(11,748)	(43,088)	—	—	—	(54,836)
Impairment loss	(786)	(4,600)	—	—	—	(5,386)
Other income, net	—	7,278	—	—	—	7,278
Realized gain (loss) on investments and other	10,601	64,618	4,263	—	(5)	79,477
Equity in earnings (losses) of unconsolidated ventures	—	—	15,843	—	—	15,843
Income tax expense	—	(99)	—	—	—	(99)
Net income (loss)	$ 1,654	$ 24,511	$ 20,106	$ 4,667	$ (24,123)	$ 26,815

FOOTNOTES

NorthStar HEALTHCARE INCOME

Page 5 – Our Investments

1. Classification based on predominant services provided, but may include other services.
2. Excludes properties held for sale.
3. Based on cost for real estate equity investments, which includes purchase price allocations related to net intangibles, deferred costs, other assets, if any, and adjusted for subsequent capital expenditures. For real estate equity investments, includes cost associated with purchased land parcels that are not included in the count.
4. Represents seven condominium units for which we hold future interests.
5. Includes institutional pharmacy, therapy businesses and lease purchase buy-out options in connection with the Trilogy investment, which are not subject to property count.
6. Reclassified 59 properties as held for sale as of December 31, 2021.
7. Represents our investment in Solstice Senior Living, LLC, or Solstice, the manager of the Winterfell portfolio. Solstice is a joint venture between affiliates of Integral Senior Living, LLC, or ISL, a management company of ILF, ALF and MCF founded in 2000, which owns 80.0%, and us, who owns 20.0%.

Page 8 – Key Portfolio Metrics

1. Our charter limits us from incurring borrowings that would exceed 300.0% of our net assets. We cannot exceed this limit unless any excess in borrowing over such level is approved by a majority of our independent directors. We would need to disclose any such approval to our stockholders in our next quarterly report along with the justification for such excess. An approximation of this leverage limitation, excluding indirect leverage held through our unconsolidated joint venture investments and any securitized mortgage obligations to third parties, is 75.0% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation. As of December 31, 2021, our leverage was 53.6% of our assets, other than intangibles, before deducting loan loss reserves, other non-cash reserves and depreciation.
2. Represents cost basis for operating real estate, net of accumulated impairment.
3. Represents cash used for repayments of mortgage notes and capital expenditures for operating real estate investments for the year ended December 31, 2021.
4. Represents our revolving line of credit from an affiliate of our Sponsor, or the Sponsor Line, which was fully repaid in July 2021. The Sponsor Line remains available to us through February 2024.
5. Represents rooms for AL and IL facilities and beds for MC and skilled nursing facilities, based on predominant type.
6. Includes rental income received from our net lease properties as well as rental income, ancillary service fees and other related revenue earned from IL residents and resident fee income derived from our AL, MC and continuing care retirement communities, which includes resident room and care charges, ancillary fees and other resident service charges.
7. Solstice is a joint venture of which affiliates of ISL own 80%.
8. During the year ended December 31, 2021, we recorded rental income to the extent lease payments were received. Rental income was reduced by $7.4 million for the write-off of straight-line rent receivables, as full collection of contractual rent under the lease was deemed not to be probable.
9. Average monthly and annual occupancy excludes properties sold.

Page 13– CONSOLIDATED STATEMENTS OF OPERATIONS

1. We has issued 66,840 restricted stock units during the year ended December 31, 2021. The impact of the restricted stock units on our diluted earnings per share calculation is de minimis for the year ended December 31, 2021.

IMPORTANT NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND DEFINITIONS

NorthStar HEALTHCARE INCOME

We believe that Funds from Operations ("FFO") and Modified Funds from Operations ("MFFO") are additional appropriate measures of the operating performance of a real estate investment trust ("REIT") and of us in particular. We compute FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts ("NAREIT"), as net income (loss) (computed in accordance with U.S. GAAP), excluding gains (losses) from sales of depreciable property, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization, impairment on depreciable property owned directly or indirectly and after adjustments for unconsolidated ventures.

Changes in the accounting and reporting rules under U.S. GAAP that have been put into effect since the establishment of NAREIT's definition of FFO have prompted an increase in the non-cash and non-operating items included in FFO. For instance, the accounting treatment for acquisition fees related to business combinations has changed from being capitalized to being expensed. Additionally, publicly registered, non-traded REITs are typically different from traded REITs because they generally have a limited life followed by a liquidity event or other targeted exit strategy. Non-traded REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operation as compared to later years when the proceeds from their public offering have been fully invested and when they may seek to implement a liquidity event or other exit strategy. However, it is likely that we will make investments past the acquisition and development stage, albeit at a substantially lower pace.

Due to certain of the unique features of publicly-registered, non-traded REITs, the Institute for Portfolio Alternatives ("IPA"), an industry trade group, standardized a performance measure known as MFFO and recommends the use of MFFO for such REITs. Management believes MFFO is a useful performance measure to evaluate our business and further believes it is important to disclose MFFO in order to be consistent with the IPA recommendation and other non-traded REITs. MFFO adjusts for items such as acquisition fees would only be comparable to non-traded REITs that have completed the majority of their acquisition activity and have other similar operating characteristics as us. Neither the SEC, nor any other regulatory body has approved the acceptability of the adjustments that we use to calculate MFFO. In the future, the SEC or another regulatory body may decide to standardize permitted adjustments across the non-listed REIT industry and we may need to adjust our calculation and characterization of MFFO.

MFFO is a metric used by management to evaluate our future operating performance once our organization and offering and acquisition and development stages are complete and is not intended to be used as a liquidity measure. Although management uses the MFFO metric to evaluate future operating performance, this metric excludes certain key operating items and other adjustments that may affect our overall operating performance. MFFO is not equivalent to net income (loss) as determined under U.S. GAAP. In addition, MFFO is not a useful measure in evaluating net asset value, since an impairment is taken into account in determining net asset value but not in determining MFFO.

We define MFFO in accordance with the concepts established by the IPA, and adjust for certain items, such as accretion of a discount and amortization of a premium on borrowings and related deferred financing costs, as such adjustments are comparable to adjustments for debt investments and will be helpful in assessing our operating performance. Similarly, we adjust for the non-cash effect of unrealized gains or losses on unconsolidated ventures. Our computation of MFFO may not be comparable to other REITs that do not calculate MFFO using the same method. MFFO is calculated using FFO. FFO, as defined by NAREIT, is a computation made by analysts and investors to measure a real estate company's operating performance.

The IPA's definition of MFFO excludes from FFO the following items: (i) acquisition fees and expenses; (ii) non-cash amounts related to straight-line rent and the amortization of above or below market and in-place intangible lease assets and liabilities (which are adjusted in order to reflect such payments from an accrual basis of accounting under U.S. GAAP to a cash basis of accounting); (iii) amortization of a premium and accretion of a discount on debt investments; (iv) non-recurring impairment of real estate-related investments that meet the specified criteria identified in the rules and regulations of the SEC; (v) realized gains (losses) from the early extinguishment of debt; (vi) realized gains (losses) on the extinguishment or sales of hedges, foreign exchange, securities and other derivative holdings except where the trading of such instruments is a fundamental attribute of our business; (vii) unrealized gains (losses) from fair value adjustments on real estate securities, including commercial mortgage backed securities ("CMBS") and other securities, interest rate swaps and other derivatives not deemed hedges and foreign exchange holdings; (viii) unrealized gains (losses) from the consolidation from, or deconsolidation to, equity accounting; (ix) adjustments related to contingent purchase price obligations; and (x) adjustments for consolidated and unconsolidated partnerships and joint ventures calculated to reflect MFFO on the same basis as above.

IMPORTANT NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND DEFINITIONS (CONT.)

NorthStar HEALTHCARE INCOME

Certain of the above adjustments are also made to reconcile net income (loss) to net cash provided by (used in) operating activities, such as for the amortization of a premium and accretion of a discount on debt and securities investments, amortization of fees, any unrealized gains (losses) on derivatives, securities or other investments, as well as other adjustments.

MFFO excludes non-recurring impairment of real estate-related investments. We assess the credit quality of our investments and adequacy of reserves/impairment on a quarterly basis, or more frequently as necessary. Significant judgment is required in this analysis. With respect to debt investments, we consider the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the prospects for the borrower and the competitive situation of the region where the borrower does business. Fair value is typically estimated based on discounting expected future cash flow of the underlying collateral taking into consideration the discount rate, capitalization rate, occupancy, creditworthiness of major tenants and many other factors. This requires significant judgment and because it is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the consolidated balance sheets date. If the estimated fair value of the underlying collateral for the debt investment is less than its net carrying value, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. With respect to a real estate investment, a property's value is considered impaired if a triggering event is identified and our estimate of the aggregate future undiscounted cash flow to be generated by the property is less than the carrying value of the property. The value of our investments may be impaired and their carrying values may not be recoverable due to our limited life. Investors should note that while impairment charges are excluded from the calculation of MFFO, investors are cautioned that due to the fact that impairments are based on estimated future undiscounted cash flow and the relatively limited term of a non-traded REIT's anticipated operations, it could be difficult to recover any impairment charges through operational net revenues or cash flow prior to any liquidity event.

We believe that MFFO is a useful non-GAAP measure for non-traded REITs. It is helpful to management and stockholders in assessing our future operating performance once our organization and offering, and acquisition and development stages are complete. However, MFFO may not be a useful measure of our operating performance or as a comparable measure to other typical non-traded REITs if we do not continue to operate in a similar manner to other non-traded REITs, including if we were to extend our acquisition and development stage or if we determined not to pursue an exit strategy.

However, MFFO does have certain limitations. For instance, the effect of any amortization or accretion on debt investments originated or acquired at a premium or discount, respectively, is not reported in MFFO. In addition, realized gains (losses) from acquisitions and dispositions and other adjustments listed above are not reported in MFFO, even though such realized gains (losses) and other adjustments could affect our operating performance and cash available for distribution. Any mark-to-market or fair value adjustments may be based on many factors, including current operational or individual property issues or general market or overall industry conditions.

Neither FFO nor MFFO is equivalent to net income (loss) or cash flow provided by operating activities determined in accordance with U.S. GAAP and should not be construed to be more relevant or accurate than the U.S. GAAP methodology in evaluating our operating performance. Neither FFO nor MFFO is necessarily indicative of cash flow available to fund our cash needs including our ability to make distributions to our stockholders. FFO and MFFO do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments or uncertainties. Furthermore, neither FFO nor MFFO should be considered as an alternative to net income (loss) as an indicator of our operating performance.

COMPANY INFORMATION

NorthStar HEALTHCARE INCOME

NorthStar Healthcare Income, Inc., together with its consolidated subsidiaries, was formed to acquire, originate and asset manage a diversified portfolio of equity, debt and securities investments in healthcare real estate, directly or through joint ventures, with a focus on the mid-acuity senior housing sector, which the Company defines as assisted living, memory care, skilled nursing, independent living facilities and continuing care retirement communities, which may have independent living, assisted living, skilled nursing and memory care available on one campus. The Company also invests in other healthcare property types, including medical office buildings, hospitals, rehabilitation facilities and ancillary healthcare services businesses. The Company's investments are predominantly in the United States, but it also selectively makes international investments. The Company was formed in October 2010 as a Maryland corporation and commenced operations in February 2013. The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2013. The Company conducts its operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

The Company is externally managed and has no employees. On February 28, 2022, the Company's former Sponsor, DigitalBridge Group, Inc. (NYSE: DBRG) (the "Former Sponsor"), completed the previously announced disposition of its wellness infrastructure platform (the "Sponsor Transaction"). Following completion of the Sponsor Transaction, NRF Holdco, LLC ("NRF" or the "New Sponsor") (and together with the Company's Former Sponsor, the Company's Sponsor as the context requires), owns the Company's advisor, CNI NSHC Advisors, LLC (the "Advisor), as well as its own diversified portfolio of medical office buildings, senior housing facilities, skilled nursing facilities and specialty hospitals. NRF is wholly owned by CWP Bidco LP, an entity affiliated with Highgate, a privately held real estate investment and hospitality management company, and Aurora Health Network LLC, a privately held healthcare-focused investment firm. In addition, upon completion of the Sponsor Transaction, employees of the Company's Former Sponsor focused on the wellness infrastructure platform became employees of the Company's New Sponsor. The Company's Advisor, now a subsidiary of the Company's New Sponsor, will continue to manage the Company's day-to-day operations pursuant to an advisory agreement

Shareholder Information

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